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Settlement Talks for Bank Followed Pressure on Trump by Turkey's Leader

Before indicting a state-owned Turkish bank, the Justice Department sought to negotiate a deal following calls by Turkey's president to the White House.



By **Eric Lipton**

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After repeated appeals to President Trump by Turkey's president to avoid charges against a state-owned Turkish bank, Attorney General William P. Barr oversaw an effort earlier this year to negotiate a settlement with the bank, two people with knowledge of the matter said.

The settlement push abruptly ended on Tuesday when prosecutors in New York filed bank fraud and money laundering charges against the institution, Halkbank, a move that came as Mr. Trump sought to escalate pressure on Turkey to stop its military operations in northern Syria.

But the criminal charges were filed only after more than a year of interventions by President Recep Tayyip Erdogan of Turkey and other senior officials of his government, as well as lawyers and lobbyists working in New York and Washington on Turkey's behalf, to try to avoid a criminal prosecution of the bank.

Mr. Erdogan had repeatedly raised the topic of Halkbank with Mr. Trump, including in a November 2018 phone conversation, which was followed up by an appeal by Mr. Erdogan's son-in-law, who serves as Turkey's finance minister, with Treasury Secretary Steven Mnuchin. Bloomberg News reported on Wednesday that Mr. Trump told Mr. Erdogan in April that Mr. Barr and Mr. Mnuchin would handle the matter.

"We had a positive meeting with our U.S. counterpart," Berat Albayrak, Turkey's finance minister, told reporters in Turkey late last year, referring to Mr. Mnuchin. "He said he would follow the process closely."

The Turkish officials, and their lawyers and lobbyists, argued that criminal charges against Halkbank, the second-largest state owned bank in Turkey, would threaten the stability of the Turkish economy, as other international banks might move to stop doing certain kinds of business with Halkbank.

A multibillion-dollar penalty, like the one imposed on the French bank BNP Paribas in 2015 after Iran sanctions violations, also could threaten the viability of the bank, Halkbank's representatives argued.

In 2017, the Justice Department accused Halkbank's top executives, as well as senior officials in the Turkish government, of violating United States sanctions against Iran by delivering billions of dollars worth of gold and cash to Iran in exchange for Iranian oil and gas.

In 2018, prosecutors in New York had secured the conviction of a senior Halkbank executive, but at the time of his sentencing, a federal court judge said that the executive was "somewhat of a cog in the wheel" and not "a mastermind," implying the possibility of further charges in the case.

The Justice Department had discussed the possibility of a so-called deferred prosecution agreement with Halkbank, in which it would admit some wrongdoing, perhaps pay a fine, but not face criminal trial, according to two individuals with direct knowledge of the matter, but who spoke on the condition of anonymity to disclose such

details.

“The negotiations began to take on a real character over the last several months,” one participant in the matter said last week.

On Tuesday, the Justice Department filed sanctions evasion charges against Halkbank, noting that the “bank’s audacious conduct was supported and protected by high-ranking Turkish government officials,” including some who took “millions of dollars in bribes to promote and protect the scheme.”

The Justice Department has also claimed that Mr. Erdogan was briefed on aspects of the operation in 2013, when he was Turkey’s prime minister.

The fact that officials at Justice Department headquarters, and Mr. Barr himself, were involved in the case was not unusual, former federal prosecutors said, given that it was a delicate case that involved another nation, and was the topic of conversations between the president and a foreign leader.

But the Halkbank case has also drawn attention because of the involvement of players including Brian D. Ballard, a lobbyist who is a friend of Mr. Trump and served as the vice chairman of his inauguration, Rudolph W. Giuliani, the former New York mayor who is now a personal lawyer for Mr. Trump, and Michael B. Mukasey, the former attorney general.

Mr. Ballard was hired by Halkbank as a lobbyist. He and other members of his staff, including former Representative Robert Wexler, a Democrat from Florida, and James P. Rubin, a Clinton-era State Department official, met last year with officials at the White House and the State Department to make the case that any additional steps taken against the bank should be considered carefully given that Turkey is a North Atlantic Treaty Organization ally, according to participants in these meetings.

Mr. Ballard’s firm had been paid \$125,000 a month, although that fee was recently cut to \$40,000, and the firm intends to terminate its work with the bank after the filing of the charges.

Mr. Giuliani in 2017 was separately paid to try to secure the release of Reza Zarrab, a Turkish-Iranian gold trader who has been a key suspect in the case. Mr. Zarrab later served as a crucial witness for the Justice Department, helping substantiate allegations against bank executives and senior government officials in Turkey.

As recently as Tuesday morning, representatives for the bank said they were uncertain how the negotiations with the Justice Department might turn out, with the options including a potential settlement, criminal charges or a decision not to pursue the matter. Later that same day, the criminal indictment was announced.

A Justice Department spokeswoman declined to comment on the decision to file criminal charges this week against Halkbank. A Treasury Department spokesman did not respond to a request for comment. But one administration official said that the White House did not receive advance notice of the criminal charges against the bank.